

14 July 2017

Our Reference: 1341

Land Transport Market Reform Branch  
Department of Infrastructure and Regional Development  
GPO BOX 594  
CANBERRA CITY ACT 2601

Dear Colleagues

**Land Transport Market Reform: Independent Price Regulation of Heavy Vehicle Charges**

Firstly, I would like to thank you for the opportunity to contribute to this important process. The National Heavy Vehicle Regulator (NHVR) fully supports the introduction of independent price regulation for heavy vehicle user charges, and I commend the work that has been done so far to set the ground work for this essential reform. Specifically, the NHVR supports the further exploration of, and eventual implementation of a pricing model, based on mass-distance-charging.

A primary interest for the NHVR is to ensure that any pricing model moving forward is stable and sustainable; supporting continuity in funding to the NHVR, which is primarily funded by the heavy vehicle industry to deliver necessary national reforms.

Clearly, there are real benefits to be derived from the introduction of an independent price regulator, which can operate in a manner that is not subject to external pressures. As noted in the NHVR's attached response to the questions provided within the Discussion Paper (Attachment 1), we believe the key to the success of this proposed reform is that the chosen organisation is given the genuine independence and regulatory fortitude to implement its decisions for a nationally consistent approach.

With this being such an intricate and largescale potential reform, and one that the NHVR has a key concern in, I hope to offer the various expertise of my organisation to contribute to the further development of this discussion, where needed. This may include offering the expertise and views of NHVR senior officers to contribute to more detailed discussions around the actual pricing model (and supporting systems) to be adopted.

The contact for this matter is Tanya McDonald, Executive Director Strategy & Stakeholder Relations who can be contacted on (07) 3309-8654 or [tanya.mcdonald@nhvr.gov.au](mailto:tanya.mcdonald@nhvr.gov.au).

Thank you for your support.

Yours sincerely



Sal Petrocchio

**Chief Executive Officer**

Enc: Attachment 1 - NHVR response to Discussion Paper questions

received in response 14/7/17  
→ G. Prose

## Attachment 1 -Response to Discussion Paper Questions

*-Q.1 Do you have any comments, concerns or observations in relation to the transition from the current process to independent price regulation?*

The NHVR fully supports this proposed transition to independent price regulation, noting the importance of ensuring that it is sincerely independent and free from political or fiscal pressures. Specifically, the NHVR supports the further exploration of a pricing model based on mass-distance-charging (or incremental charging), which will produce not only productivity gains, but also safety benefits. Clearly, a direct user charges model could be developed in a number of different ways, and the NHVR would welcome the opportunity to provide any necessary input in the development of such a pricing model/system.

*-Q.2 What do you understand independent to mean? Do the options presented in the paper accord with that understanding?*

The central aspect of the term 'independent' in this context is that the price regulator not only has the role of determining a price, but has the ability to implement this price free from external pressure. In other words, it is essential for the price regulator to be granted deterministic powers with regard to setting heavy vehicle charges.

*-Q.3 In the short term, while the price regulator would only be regulating prices for heavy vehicle charges, could user concerns be adequately addressed through regulatory rules or is an appeal process needed?*

Due to the sheer complexity and opacity of pricing calculations in this area, it is essential that there is a limited appeal/review process available in order to ensure a proposed regulated price has not been miscalculated. This however, is not to provide a process, which merely allows parties unhappy with a proposed price to challenge it. Decisions of the regulator should also be open to a Right to Information process.

*-Q.4 How important is a nationally consistent approach to the regulation of heavy vehicle charges?*

Essential – without a nationally consistent approach, the option of 'rego shopping' (to identify the cheapest jurisdiction to obtain registration in) will continue and largely reduce the effectiveness of any new independent price regulator. As highlighted in the discussion paper, this could be an issue with the proposed option 3 under the discussion paper (where state jurisdictions adopt prices individually).

*-Q.5 What do you consider more important for establishing an independent price regulator for heavy vehicle charges, organisational capacity in economic regulation or industry specific expertise?*

Of primary importance is having people with the right economic and regulatory expertise (supported by relevant road freight knowledge) to ensure accurate and transparent calculations in this complex area.

*-Q.6 What would be your preferred option for establishing an independent price regulator for heavy vehicle charges?*

All suggested options are workable for achieving a model of independent price regulation. As highlighted throughout this response, the key is that the organisation has the right expertise, and can make determinations free from external influence.

*-Q.7 Does there need to be a structural separation in the roles of price development and price regulator?*

It is not considered necessary to create a structural separation between price development and price regulation, as long as the process is transparent and independent.

*-Q.8 Are the functions of the economic regulator, as discussed in this paper, appropriate in the heavy vehicle sector. What should/shouldn't an economic regulator do?*

The NHVR broadly supports the scope of responsibilities that an independent regulator should undertake, as highlighted in the 'Function' table on page 5 of the discussion paper.

*-Q.9 Is a model law the best approach for bringing governments under the same regulatory model?*

Yes, clearly a model law, which can be adopted across jurisdictions, would provide a nationally consistent approach, avoiding the continuance of 'rego shopping'.